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ABSTRACT

Increasing public ownership of United States daily newspaper companies is an important trend in modern journalism. Since it is impossible to grasp the essence of daily newspapers without understanding their unique economic principles, this study draws data from the yearly financial reports (1971-1974) of 13 publicly owned publishing companies which are used by newspaper executives and analysts as industry indicators. The three major components in a company's financial statement--revenue, costs, and net income--all increased throughout the period. Strongest economic conditions were evident in the first two years studied. Costs escalated throughout the period, with newspaper companies trying to reduce expenses whenever possible. In many cases, advertising and circulation-rate increases enabled newspaper companies to increase revenue and to offset rising costs. As a group, newspaper companies are highly profitable, with profit margins outpacing the return on sales at all newspapers. Publicly owned newspaper companies are surviving a weak national economy better than is industry in general, and they can expect to do well in the future. (Author/JM)

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Revenue, Costs and Net Income of 13 Publicly Owned Newspaper Companies 1971-1974

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First place winner in the 1976 Leslie G. Moeller Student-Paper Contest of the Mass Communication and Society Division of the Association for Education in Journalism.

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U.S. newspapers are the tangible product of a unique, multi-billion dollar industry. A complex economic relationship between the public and the publishing company is consummated whenever a newspaper issue is bought or sold. This transaction occurs millions of times every day, but few people understand the economic activities of the daily newspaper industry. The problem is not limited to newspaper readers but becomes increasingly acute with industry proximity. The worst offenders may be those closest to the industry-- reporters, copy editors, management personnel and journalism professors and students. It is impossible to grasp the industry's essence without understanding its economic principles. Ignorance of newspaper economics becomes increasingly dangerous as the importance of newspapers rises concurrently with economic stresses on the medium. Scholars and researchers exacerbate the problem by neglecting many newspaper economics topics. This paper is designed to help provide economic information about the daily newspaper industry in the United States by focusing on revenue, costs and net income of 13 major publicly owned newspaper companies from 1971-1974.* It is impossible to touch all economic aspects of the newspaper industry. By focusing on the three most important factors, I hope to provide a basis for a better understanding of U.S. newspapers as business enterprises.

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* The 13 companies studied are Affiliated Publications, Booth

Background

Charles A. Dana, publisher of the New York Sun during part of the 19th century, said, "Journalism consists in buying white paper at 2 cents a pound and selling it at 10 cents a pound."[1] Dana's statement is too simplistic to be applied to modern journalism, but it indicates that publishers have known for many years that newspapers can be a very profitable business venture. Ben Bagdikian, noted media observer, said, "American daily newspapers are one of the most profitable of all major industries in the United States."[2]

Unfortunately, many newspaper publishers seem intent on keeping economic information secret. Poor reporting of the industry's economic affairs leads Bagdikian to write, "Precise figures on newspaper profits are hard to come by because, of all industries, newspaper publishing is the most obsessed by financial secrecy."[3] This glaring failure is ironic in an industry relying on information and communication for its well-being.

Financial statistics of the newspaper industry are not included in some federally conducted economic studies, an apparent violation of federal law. A 1947 statute requires that the Federal Trade Commission report profits of major industries, but this has not been accomplished always with newspaper results. Former FTC chairman Paul Rand Dixon was asked about the omissions during a Senate hearing a few years ago and replied, "I kind of suspect that nobody wanted the newspapers mad at them."[4]

Newspapers, Dow Jones, Gannett, Harte-Hanks Newspapers, Knight-Ridder Newspapers (results adjusted for 1974 merger), Lee Enterprises, Media General, Multimedia, New York Times Co., Speidel, Times Mirror and Washington Post Co.

Secrecy is perpetuated blatantly in the attitude of many newspaper publishing companies. Bagdikian says the industry exhibits a Hetty Green syndrome of feigned poverty, alluding to an eccentric millionaire prone to sleeping in New York's Bowery, wearing rags and getting free meals from welfare agencies. Bagdikian wrote in the Columbia Journalism Review, "The Hetty Green syndrome is endemic among newspaper publishers with periodic remissions," when industry executives limp into labor bargaining sessions and Congressional hearings but display excellent health when challenged by electronic media. Bagdikian added, "American publishers have always felt obligated to pretend that they are an auxiliary of the Little Sisters of the Poor."[6] The secrecy problem has decreased slightly with the recent growth in the number of publicly owned newspaper companies.

The number of publicly owned newspaper companies involved in the publication of daily newspapers in the United States is small, but the firms have been increasing their market share. In 1969, 16 public companies controlled 129 daily newspapers and 14.5% of total aggregate circulation.[7] The 1972 figures increased to 19 companies owning 216 U.S. dailies for a 23% circulation share.[8] The number of companies stayed the same in 1973, but control increased to 247 dailies and 24.1% of the nation's circulation.[9] In 1974, 21 publicly owned companies controlled 256 daily newspapers. Total aggregate circulation in the summer of 1974 was 16,194,260, or slightly more than 25% of total daily U.S. circulation.[10]

Newspaper companies become publicly owned for various reasons, all involving economic considerations. One important

reason is to avoid inheritance taxes on family owned or closely held property. In 1972, inheritance taxes were 77% if the market value of a property equaled or exceeded $10 million. This tax rate could lead to astronomical levies. For example, Adolph Ochs paid $75,000 for the New York Times in 1896 and later bequeathed the property to his family. The company was valued in the hundreds of million dollars in the early 1970s. It is impossible to avoid all taxes on this property, so the alternative is to lessen the financial burden by selling stock to the public.

Most of the 13 companies studied went public during the active stock market period in the 1960s, but initially engendered little investor interest. Bagdikian wrote, "Despite high profits they did not, at first, attract much market attention, partly because their entry into stock exchanges occurred only within the past ten years and partly because Wall Street wasn't used to corporation executives poor mouthing in public."[11] The Hetty Green syndrome returned to haunt executives of publicly owned newspaper companies.

Public ownership also allows companies to raise capital for expansion, improvements and purchases. This benefit has become more important with increasing ownership concentration in the newspaper industry. Another reason for public ownership is to raise the value of a company prior to its sale or merger with another newspaper concern. In some instances, companies try to increase the value of their stock prior to ownership changes because market quotes often influence the transaction price.

Problems encountered when a company goes public include sharply increased accounting expenses, possible revelation of financial secrets, mandatory compliance with Security and Exchange Commission guidelines and the possibility of unhappy stockholders and employes.

Public ownership of newspapers is a boon to media observers despite the problems and comparatively small numbers of companies involved. Public ownership means that financial and operational results must be available to the public, thus providing a means of examining the industry. It is possible to discern much of the general economic status of the newspaper industry by examining publicly owned publishing companies. Lee Dirks, highly respected newspaper analysts and a division of C.S. McKee stock brokers, says that its "experience with privately held papers shows that there is not a significant difference between the profitability of publicly traded and privately held dailies that are well managed."12

Scope

Although there were 21 publicly held newspaper companies in 1974, this paper concentrates on the 13 whose stock is either listed on one of the national stock exchanges or actively traded on the over-the-counter market. More complete financial data are available for the publicly traded companies, but no attempt is made to go beyond the results of these companies.

A heterogenous blend of factors is included in the sample companies. The most important variable is, perhaps, the metropolitan or smaller community orientation of the different companies. Times Mirror Co. controls large metropolitan newspapers, for

example, while Gannett's properties are in smaller cities and towns. Dow Jones is the only publicly held company publishing a completely national daily product, The Wall Street Journal.

The number of newspapers owned differs among the 13 companies studied. With one exception, the companies own more than one newspaper and must be considered groups. Gannett owns more papers than any other company in the study. The Rochester, N.Y.-based company owned 49 daily newspapers and 24 Sunday editions on March 31, 1975. Affiliated Publications owns only The Boston Globe, the smallest holding of the 13 companies. A corresponding difference is circulation size. Knight-Ridder's 33 dailies account for more circulation than any other newspaper group, public or private.

Most of the companies in the study are involved in businesses in addition to newspaper publishing. Secondary operations relate usually to the communications industry-- book publishing, television, radio and newsprint production. It is impossible to eliminate a company's secondary businesses from its economic data. Many companies do not report results by area of operation. This problem does not invalidate the study because newspaper operations are affected by the company's other businesses.

Variations in economic-reporting procedures have been minimized by limiting the study to three financial aspects-- revenue, costs and net income. These three items are the most important aspects in a company's financial statement. Revenue consists of all money paid to a company for its goods and services. Costs are any expenses a company incurs in its operations. Net income is the amount of money left after deducting expenses,

taxes and any other debit. It is not necessary to go beyond these three general factors for an adequate understanding of newspaper economics. By concentrating on a limited number of economic factors, it is possible to see how the newspaper industry and some of its component companies have fared during the study period.

The 1971-74 time period is valid because it is long enough to chart industry activity in a time of continued, and increasing, economic stress. It would be easy to continue the research methods in future years.

The Companies

Industrial manuals and company financial reports guarantee an accurate and complete picture of the companies. The following company sketches mention a newspaper company's operations as of 1974. Important acquisitions and major properties have been included, with the date of purchase where applicable.

Affiliated Publications is a comparatively small newspaper company that is important because it operates in a major market. The Boston Globe is Affiliated's only newspaper and the company does not engage in any other businesses. The limited operations of Affiliated are reflected in the company's net income, consistently the smallest in the study. Affiliated's small economic resources emphasize the importance of diverse operations and the fiscal difficulties facing city newspapers.

Booth Newspapers is involved in print and broadcast operations in Michigan. The company publishes eight daily and Sunday newspapers in small to medium size markets. A major portion of Booth's revenue comes from Parade magazine, a Sunday

newspaper supplement purchased in 1973.

Dow Jones, one of the largest companies in the study, has extensive operations throughout the world. The company's consistent growth and expansion make it one of the strongest in the newspaper industry. Dow Jones is best known as publisher of The Wall Street Journal. Other operations include The National Observer, Barron's National Business and Financial Weekly and a chain of small newspapers. The company owns 12 daily and five Sunday newspapers through Ottaway Newspapers, a wholly-owned subsidiary. The Ottaway group is concentrated in New England but includes properties in Michigan and Oregon.

Dow Jones operates a news service concentrating on domestic financial and business information; Associated Press and Dow Jones own an international financial news service. Other Dow Jones interests include the Far Eastern Economic Review, The South China Morning Post and a newsprint company. These properties are not wholly-owned subsidiaries.

Gannett owns more newspapers than any company in the study. In 1974, the company published 50 daily newspapers in 17 states and Guam. Gannett's properties are concentrated in smaller cities and towns, with newspapers in Honolulu, Nashville, El Paso, Tex., and Rochester, N.Y. being major operations. Other Gannett properties include weekly newspapers, one television station, a cable television station and two radio outlets. The company purchased a small interest in Speidel Newspapers recently and owns Louis Harris, national pollsters.

Harte-Hanks publishes daily and weekly newspapers in Texas, Massachusetts, California, New Jersey, Ohio, South Carolina,

Washington and Michigan. Most of the company's holdings are in smaller markets. A 1972 transaction brought 19 weekly or twice-weekly newspapers under the control of Harte-Hanks. The company has broadcasting interests also.

Knight-Ridder became the nation's circulation leader in 1974 when Knight Newspapers merged with Ridder Publications. The merger was completed on Nov. 30, 1974; pre-merger financial results of Knight and Ridder have been combined to reflect the present situation.

Knight-Ridder publishes 33 daily, 21 Sunday and 17 weekly newspapers, including some of the largest in the United States. The Miami Herald, Detroit Free Press, Philadelphia's Inquirer and Daily News are Knight-Ridder properties. The company has no broadcasting operations at the present time.

Lee Enterprises is involved in newspaper publication, television and radio. The company's newspaper holdings consist of 14 dailies, mostly in small towns. Major newspapers in the Lee group are the Madison, Wis., State Journal and the Lincoln, Neb., Star. The company owns four television and radio stations.

Media General publishes six daily and three Sunday newspapers. The company owns morning and evening combinations in Richmond, Tampa and Winston-Salem, N.C.. Media General operates a broadcasting facility in Tampa and a cable television station in Virginia. A major portion of the company's revenue comes from Garden State Paper Co., a New Jersey newsprint manufacturer acquired in 1970.

Multimedia owns broadcast facilities and newspapers throughout the South. The company's properties are in medium-size

markets, including Montgomery, Ala.; Greenville, S.C.; Knoxville, Tenn., and Asheville, N.C. Multimedia owns seven radio stations and four television outlets. The company is the most regionally concentrated of any of the newspaper groups studied.

The New York Times Co. has extensive holdings in the communications industry. The company publishes the Times, 13 Florida newspapers, three North Carolina papers, books and magazines. The company began broadening itself in 1971 with the purchase of the Gardner Cowles magazine and newspaper properties. The New York Times Co. owns the Arno Press, Golf Digest, Tennis Magazine, Family Circle and various professional publications. The company operates a news service and has part interest in a newsprint company also.

Speidel's 11 daily newspapers are concentrated in 10 communities in the Western United States. The company is respected by media observers due to its consistently strong financial results.

Times Mirror is the largest company in the study in terms of dollar revenue. The company's operations are not confined to the communications industry. Times Mirror owns a forest products division making building supplies, three major newspapers, a book division, magazine subsidiary, two television stations and half-interest in a news service. The Los Angeles Times, Dallas Times Herald and Long Island's Newsday are Times Mirror properties.

The Washington Post Co. owns newspapers, magazines, television and radio stations and part interest in a newsprint company and news service. Newsweek and The Washington Post are the company's

major publications. Four television stations and two radio stations are owned by the Post.

Method

General information about newspaper economics has been combined with recent fiscal results. Such an approach is easily adaptable to the limited and erratic availability of sources and the unique nature of the study.

Fiscal results of the newspaper industry and the 13 companies studied were taken from financial reports, Moody's Industrial Manuals and Moody's Over-the-Counter Industrial Manuals. All sources include the three economic factors studied, but there is a marked difference in the depth of reporting. Company financial statements are very complete, with data categorized and explained. Moody's Investor Service offers reports on publicly owned companies without extensive breakdown of results. The most complete source was chosen in all instances.

All publicly owned companies report financial results yearly. Lee Enterprises is the only company in the study that does not use the year ending December 31 when reporting financial results. Lee's results are included according to the September 30 fiscal year.

Additional background information used to analyze the newspaper industry was gathered from newsletters, periodicals and books. Dirks Newsletter, a weekly report specializing in the newspaper industry, is a valuable source of analytical information. The newsletter offers timely, in-depth coverage of publicly owned newspaper companies and the industry. Dirks

reports newspaper industry trends by emphasizing circulation and advertising results and prospects. The newsletter is used widely by newspaper executives and analysts. Availability may be a problem since subscriptions are comparatively expensive.

Baker, Weeks stock brokers publishes a newspaper industry analysis, but without the frequency of the Dirks reports. The Baker, Weeks analysis emphasizes industry prospects for investors and stock brokers.

Editor & Publisher, trade publication of the newspaper industry, lists publicly owned newspaper companies yearly, reports circulation figures, advertising results and prospects, technological advances and personnel developments. The magazine is a valuable source for any study of the newspaper industry, but coverage of publicly owned companies is limited. Editor & Publisher publishes an annual yearbook including information about newspaper companies, suppliers, syndicates and newsprint consumption. The yearbook does not include, however, financial data of publicly owned newspaper companies.

Three books were used in the study, the most valuable being American Newspapers in the 1970s by Ernest Hynds. The book has an excellent chapter on newspaper economics with comparatively current financial information.

Ben Bagdikian's The Information Machines was used as a source of critical analysis of the newspaper industry. Bagdikian's criticism of the newspaper business balances the comments of publishers and vice versa.

Newspaper Organization and Management by Frank Rucker and Herbert Williams provided basic orientation before begin-

ning the study. The text is used widely by journalism professors and students.

The availability and usefulness of sources is limited. Reporting of newspaper economics is poor, and there have been very few analytical stories about publicly owned newspaper companies. One of the major problems faced when studying or writing about newspaper economics is that sources become outdated very quickly. Conscientious efforts have been taken to improve the timeliness of this study by charting past trends and future projections. This is the first study of its kind to my knowledge.

The unique nature of the study is emphasized by respected publications that do not cover newspaper economics adequately. No mention of publicly owned newspaper companies was found in Journalism Quarterly, Journalism Abstracts, Quill, Neiman Reports, Problems in Journalism, Columbia Journalism Review, Chicago Journalism Review, More and many government reports, including the Statistical Abstract of the United States.

Findings

The constantly changing nature of the newspaper business is emphasized by findings of the study. Percentage growth of revenue, costs and net income fluctuated throughout the period. Strongest economic conditions were evident in the first two years studied. Federal price controls adversely affected 1973 and 1974 results, according to industry analysts and executives.[13]

Revenue, costs and net income should be examined individually to improve the study results. Emphasis should be placed on the total results of the 13 companies to eliminate the narrow

perspective of looking at a single company. It is also important to look at the entire four years covered in the study. The longer time period limits the possibility of being misled by a single unusually good, or bad, annual result.

Revenue

Revenue strength is one indication of the economic stability of the daily newspaper industry. Companies try to offset rapidly rising costs by maximizing revenue through marketing programs, advertising efforts, circulation incentives and rate increases.

Newspaper companies have increased revenue successfully. Total revenue of the 13 companies increased 42% between 1971 and 1974. The revenue picture may not be a bright as it seems, however, since the rate of growth declined in the latter years of the study. Total revenue jumped from $2.2 billion in 1971 to nearly $2.6 billion a year later, a 17% increase. The percentage increase between 1972 and 1973 dropped to 11%, with total revenue approaching $2.9 billion in 1973. In 1974, revenue of the 13 companies totaled $3.1 billion, a 9% increase from the previous year. These results, despite lower revenue growth rates in 1973 and 1974, support Bagdikian's claim that "newspaper revenues are growing faster than the Gross National Product."[14]

Fluctuations in newspaper revenue are not connected necessarily to changes in the nation's overall economic picture. The study shows that total revenue increased from 1971 to 1974, an uncertain economic time for the country and many industries. Newspaper companies are affected most by local economic conditions. A new shopping center can mean, for example, sharply

increased advertising revenue. Population growth caused by new industry or favorable employment opportunities will bring added circulation revenue to a newspaper publisher. A slumping job market will cut a newspaper's classified advertising, the most vulnerable of all revenue sources to local conditions.

The essential nature of the newspaper is reflected in revenue totals. Lee Dirks said, "The newspaper business-- at least the publicly owned sector-- is proving itself to be what Wall Street calls a defensive business. The bulk of its revenues (circulation and retail advertising) are relatively stable and are not especially vulnerable during recessions, for most readers and retail advertisers regard newspapers as almost essential."[15]

Newspaper publishing companies tap two primary revenue sources-- advertisers and subscribers. Bagdikian estimates that two-thirds of newspaper revenue comes from advertisers.[16] Newspaper companies reflect the importance of advertising by usually devoting 60% to 70% of newsprint consumption to it.[17]

Only three of the companies in the study reported advertising revenue, but those stating the figure followed the expected pattern cited by Bagdikian. Gannett, Knight-Ridder and The New York Times Co. reported increasing advertising revenue throughout the study, but their percentage of advertising revenue in the total stayed fairly even.

Rate increases have strengthened advertising revenue and hidden slumping lineage. In many cases, rate increases have contributed heavily to rising total advertising volume. Newspapers receive a larger share of advertising dollars than any

other mass medium. In 1972, the Newspaper Advertising Bureau predicted that the newspaper industry could expect advertising revenue between $10.3 billion and $12.6 billion by the end of the decade.[18] A recent study by Baker, Weeks says this estimate may be low. The brokerage firm predicts total advertising volume will reach almost $9.5 billion in 1976. The discrepancy in estimates is due to rate increases imposed by most newspapers. The increases have allowed newspaper companies to survive sagging advertising lineage without revenue loss.

Advertising revenue is related to circulation strength. A strong circulation market is attractive to advertisers because they can reach the desired audience. The findings of the study support the general rule that circulation revenue accounts for about 25% of a newspaper's total revenue.

Circulation revenue of most companies grew more slowly than advertising revenue. Gannett's circulation revenue rose to $85.1 million in 1974 from $66.8 million in 1971, a gain of 21.5%. Knight-Ridder circulation revenue increased 22.7% in the four years and New York Times Co. rose 16%. The comparatively slow growth indicates that circulation is a major concern of newspaper analysts and executives, with the problem particularly acute for city newspapers.

Many newspaper companies have attempted to make circulation more profitable. An executive of Gannett explained: "As many know, we embarked on a campaign of eliminating unprofitable, fringe-area circulation in 1974. We also chose not to engage in expensive special efforts to obtain or retain low quality circulation that was of little value to our advertisers. By

low-value or low-quality, we mean single-copy sales, inner-city sales, mail subscriptions, duplicate home delivery in morning and afternoon combination markets, and other sales beyond our retail trading zone."[19]

Circulation revenues have been aided by rate increases which often mask the fact that individual newspaper circulation levels may be declining. Many of the newspapers considered in this study showed declining circulation. A study by the American Newspaper Publishers Association said that 1,275 daily newspapers sold for 10¢ a copy in 1973. The number dropped to 873 a year later and there was a corresponding increase in the number of dailies selling for 15¢ and 20¢ a copy. In 1973, 425 newspapers sold for 15¢; in 1974, 855 sold for that amount. There were only four dailies selling for 20¢ in 1973, but the number increased to 35 in 1974.[20]

The entire rate increase does not go to the newspaper publishing company. Dirks Newsletter said, "Typically, about half of an increase in a newsstand price returns to the company, with the balance going to the dealer."[21]

On a broader basis, the study shows that companies with diverse operations reported generally strong growth. Diversification makes it possible apparently for a company to weather economic fluctuations by not relying on a single operation for revenue and profit.

Times Mirror's financial results show the importance of diverse operations. Newspaper publishing contributed $245 million to 1971 net revenue of $545 million, or about 45%. In 1972, newspaper operations accounted for $280 million of

$611 million total revenue; this is 45.8% of the total. Newspaper revenue reached $303 million in 1973 as the total revenue increased to $751. The percentage contributed by newspapers dropped to 40.3 % in 1973. Last year, newspaper revenue was $331 million of $751 million total, or 44%. The figures show that newspaper revenue increased in gross terms but dropped in percentage. Times Mirror was able to diversify operations and improved its economic base.

The importance of diverse operations is illustrated further by Media General's Garden State Paper subsidiary. The company's revenue from different operations shifted between 1971 and 1973. In 1971, newspaper operations accounted for 60% of total revenue, newsprint, 27%, and broadcasting, 13%. In 1973, the percentages were newspapers 56%, newsprint 34% and broadcasting 10%. Media General's results show that companies owning newsprint facilities probably survived rising costs better than firms without such subsidiaries.

Costs

Rapidly rising costs have challenged publicly owned newspaper companies in recent years. Total expenses of the 13 companies studied rose 42% from 1971 to 1974, equal to revenue growth in the same period. Comparison of four-year revenue and costs results may be misleading, however, because of recent trends. Costs increased more than revenue in the last year of the study period, and the trend may have continued in 1975. Total costs of the 13 companies increased 17% from 1971 to 1972; 8% between 1972 and 1973 and 12% from 1973 to 1974.

Costs included in the study are production, distribution,

labor, material, selling, administration and operating expenses. Production and distribution expenses are incurred in the publication and circulation of the newspaper. Labor costs include wages, salaries and employe benefits. Newsprint and ink are major material expenses; technological expenses are not included. Selling and administration costs are related to advertising and circulation sales, accounting and general office expenditures. General operating costs include power and utility bills, telephone expenses and similar levies. Reporting procedures vary, with less than half of the 13 firms categorizing costs.

The newspaper industry is labor intensive. Employment costs account for 30% to 55% of total newspaper company expenses, compared to a 25% average for all U.S. industry.[22] The number of people employed in the newspaper industry has grown faster than total U.S. employment. Between 1947 and 1970, newspaper employment increased 50.2% to approximately 380,000 workers.[23] The growth in U.S. manufacturing enterprises was 27.3%; total U.S. employment increased 37.5% in the period.[24]

The study shows the dominance of employment costs in the newspaper industry. Only two companies report employment expenses, but their results follow the predicted percentages. New York Times Co. employment expenses averaged 41% of total costs in the 1971-1974 period. Booth Newspapers' labor costs averaged 37% of total expenses during the period. Gannett's labor costs ranged from 41.3% to 46.4% of total expenses in the four years. Newspaper wages have increased in recent years and can be expected to go higher with more unionization and increased

professionalization.

Newsprint costs escalated rapidly between 1971 and 1974. In 1971, a ton of newsprint cost $165; the price increased to $220 in 1974 and will go higher. Newsprint purchases are a major expense for all newspaper companies, averaging about 20% to 25% of total costs. The impact of newsprint costs is illustrated by Knight-Ridder's spending about $1 million for newsprint every two and one-half days.

Newspaper companies have tried to battle newsprint costs by reducing consumption and seeking paper-production subsidiaries. Newsprint consumption by all U.S. dailies dropped 1.3% between 1973 and 1974. Lower newsprint consumption has been accomplished, in some cases, by cutting the width of newspaper pages. The Wall Street Journal cut its page width 9% in 1974 and saved $2 million in newsprint costs. Other newspapers have acted similarly for comparable savings.

Technological improvements by newspaper companies have partially offset rising costs. Offset presses, photo composition, computerization of production and distribution and other advances have been developed by many newspaper companies. Technology can cut costs in all aspects of the newspaper business. Initial expense is high but outweighed by long-range benefits. Mr. Bagdikian wrote, "Newspaper technology will increase profits even more. It will reduce manpower in the major cost category, production, and eliminate many expensive steps."[25] Dow Jones invested $1.5 million in an automated system in 1969 and calculated that the improvement would pay for itself every nine months in increased pre-tax profit. The technological impact

on employment is illustrated by the recent opening of a Wall Street Journal publishing facility in Orlando, Fla., with a total work force of 18. The plant prints 70,000 copies of the newspaper every hour, using a satellite transmission from Massachusetts.

A simple technological advancement can mean large savings. Plastic plates have been used by some companies to replace metal plates on letter presses. The Los Angeles Times switched to plastic plates recently at a savings of 50¢ per item. The newspaper uses 25,000 plates each week.[26]

Technology has lowered production costs considerably. The companies do not report comparative production and newsroom costs, but many observers say changes have been occurring. Dirks Newsletter said, "For the first time in Gannett's history, composing-room costs fell below newsroom costs in 1974, a direct reflection of the impact the new technology is having on Gannett's costs. Historically, newspapers have had to spend far more readying newspaper pages for the press than they have spent on gathering and processing of news. At Gannett there was a 12% reduction in composing room employes in 1974, which brought a reduction in production man-hours of 600,000 and a savings of about $4 million."[27]

The study indicates that newspaper companies will continue to face rising costs, but the impact of the increases will be lessened by technology and other economy measures.

Net Income

As a group, newspaper companies are highly profitable. It is impossible to determine exactly how much newspaper operations

contribute to net income for many of the companies studied because of secondary businesses such as broadcasting, book publishing and newsprint production. However, the study shows that the profit performance of companies with diverse operations is comparable to that of companies which only publish newspapers.

Total net income of the 13 companies increased throughout the study period. In 1971, net income was $158 million. A year later, net income increased 14% to $180 million. Total net income jumped to $229 million in 1973, a 27% increase from the previous year. Net income remained fairly constant in 1974, increasing only 2.2% to $235 million, largely the result of federal price controls.

The study shows that some newspaper companies publishing in major markets have reported recent economic difficulties. Affiliated, Boston Globe publisher, showed a $500 thousand drop in net income from 1973 to 1974. Industry analysts say that economic pressures are greatest on publishers of city newspapers.

It is hard, but not impossible, to draw economic conclusions by looking at net income. Reporting variations hide specific trends in the newspaper industry. General prospects that can be predicted from net income data are that companies with newspapers spread across the country can expect to do well, small newspapers may be more profitable than city dailies, and diversification can add to net income. The most obvious conclusion is that newspapers can be highly profitable business properties.

Newspaper companies appear to be weathering weaknesses in the national economy better than industry at large. It is possible to illustrate this fact by looking at comparative profit margins. A company's profit margin is its percentage return on dollar sales.

In 1971, the median return on sales for all industries was 3.8%.[28] The profit margin of the 13 companies in this study was 7.1% in 1971. The median profit margin for all industries increased to 4.1% in 1972; the 13 newspaper companies dropped to 6.9%.[29] The newspaper companies rebounded sharply in 1973, reporting a 7.9% return on sales. Industry at large reported a 4.5% profit margin in 1973.[30] The profit margin of newspaper companies in the study was 7.4% in 1974, compared to 4.3% for all industry.[31]

Newspaper companies appear to have improved their comparative results in 1975. For the first quarter of 1975, earnings of the 13 publicly owned newspaper companies increased an average of 0.6% from the year-earlier period. A Wall Street Journal survey of 644 industrial and manufacturing companies showed an average drop of 21% in the 1975 first quarter.[32] In the second quarter, net income of the 13 companies rose an average of 6.6% from the year-earlier period; a Wall Street Journal survey of 651 companies showed an average drop of 19.3%.[33] Third quarter results showed an average gain of 12.1% from the year-earlier results of the 13 companies. A Wall Street Journal survey of 626 companies showed a 12.1% average drop.[34]

Discussion

Strong economic results are important to all companies; they are uniquely vital to newspaper publishers. Ernest Hynds

wrote, "The newspaper must serve the needs of the public for facts and opinion in an unselfish way if it is to justify its special status under the First Amendment; yet it must succeed as a business enterprise if it is to exist and serve the public in any way."[35]

Financial stability can be a positive influence on the journalistic product. Bagdikian wrote, "Prosperity of newspapers is to be celebrated, most of all by working journalists. It is what keeps a free press alive. It holds the potential for higher salaries for journalists, which ultimately means higher quality journalism. And there has always been the assumption that high profits would be plowed back into the paper to make it better."[36] Unfortunately, there are dangers in prosperity. Bagdikian added, "... there has been an ominous change. For more and more papers, high profits have come to mean something quite different: the end of independent papers. With the growth of chains, high profits quickly depart the originating paper and are used to produce a favorable stock market position so the company can acquire properties elsewhere. What used to guarantee locally-owned press has become the chief instrument for ending it. Yet, publishers continue their traditional posture of imminent bankruptcy."[37]

Publicly owned newspaper companies are susceptible particularly to profit pressure. Stockholder support can be generated only by strong economic results. The pressure to make money may force newspaper companies to recruit management personnel from business rather than journalism, a potentially dangerous situation. "Can the outsider easily understand the industry's

delicate balance between sound management and editorial independence? Can he truly empathize with the publisher who must live daily with his community responsibility as well as with more immediate business needs?....Will the industry be corrupted by specialists who fail to appreciate newspapers' unique role in society?"[38]

The balance between financial concerns and editorial independence can be maintained. Research in newspaper economics has to be conducted on all levels to make people aware of the industry's unique financial basis. The challenge is particularly important to journalism schools, many of which are breeding future newspaper executives without an understanding of the industry's economic situation. Hopefully, this study has achieved the goal of providing a better understanding of newspapers as a business.

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1. Lee Dirks, "The Newspaper Business-- A View From the Outside," address to American Newspaper Publishers convention (April 8, 1975).
2. Ben Bagdikian, "The Myth of Newspaper Poverty," Columbia Journalism Review (March/April, 1973) p. 19.
3. Ibid. p. 21.
4. Ibid. p. 21.
5. Ibid. p. 20.
6. Ibid. p. 20.
7. Ernest Hynds, American Newspapers in the 1970s (New York: Hastings House, 1975) p. 138.
8. Editor & Publisher (April 22, 1972) p. 20.
9. Ibid. (April 21, 1973) p. 14.
10. Ibid. (August 17, 1974) p. 9.
11. Bagdikian, p. 23.
12. Ibid. p. 21.
13. Interview with Ray Shaw, vice president and general manager of Dow Jones, November 31, 1975.
14. Bagdikian, p. 20.
15. Dirks address to ANPA.
16. Bagdikian, p. 21.
17. Interview with Mr. Shaw.
18. Hynds, p. 144.
19. Dirks Newsletter (June 6, 1975) p. 5.
20. Ibid. (January 16, 1975) p. 1.
21. Ibid. (October 6, 1975) p. 1.
22. Dirks address to ANPA.
23. Hynds, p. 149.

24. Ibid. p. 149.

25. Bagdikian, p. 22.

26. Dirks Newsletter, (June 6, 1975) p. 2.

27. Ibid. (March 19, 1975) p. 2.

28. Fortune (May, 1972) p. 189.

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1971 Operating Revenue ($000)

Company	Total*	Newspaper	Advertising	Circulation
Affiliated	74,951	--	--	--
Booth	65,019	--	--	--
Dow Jones	142,893	--	--	--
Gannett	251,171	--	172,700	66,800
Harte-Hanks	49,509	--	--	--
Knight-Ridder	399,585	--	286,910	101,976
Lee	37,706	--	--	--
Media General	116,962	101,893	--	--
Multimedia	36,442	--	--	--
New York Times	290,288	8,213**	157,719	54,189
Speidel	32,439	--	--	--
Times Mirror	523,768	244,721	--	--
Wash. Post	192,749	85,892	--	--
Total	2,213,482			

* Includes all operations

** Not including revenue from the New York Times

1972 Operating Revenue ($000)

Company	Total*	Newspaper	Advertising	Circulation
Affiliated	88,116	--	--	--
Booth	130,459	--	--	--
Dow Jones	162,292	--	--	--
Gannett	296,641	--	210,881	75,297
Harte-Hanks	69,547	--	--	--
Knight-Ridder	451,587	--	331,879	108,080
Lee	41,170	--	--	--
Media General	118,510	101,979	--	--
Multimedia	41,491	--	--	--
NewYork Times	329,502	12,014**	175,658	55,455
Speidel	35,378	--	--	--
TimesMirror	611,075	280,322	--	--
Wash. Post	217,844	99,796	--	--
Total	2,593,612			

*Includes all operations

** Not including revenue from the New York Times

1973 Operating Revenue ($000)

Company	Total*	Newspaper	Advertising	Circulation
Affiliated	94,642	--	--	--
Booth	136,734	--	--	--
Dow Jones	180,374	--	--	--
Gannett	308,849	--	233,699	75,760
Harte-Hanks	83,212	--	--	--
Knight-Ridder	506,051	--	376,885	115,285
Lee	44,979	--	--	--
Media General	125,729	111,138	--	--
Multimedia	50,667	--	--	--
NewYork Times	356,567	14,204**	190,385	56,000
Speidel	38,055	--	--	--
Times Mirror	706,067	303,150	--	--
Wash. Post	246,949	111,997	--	--
Total	2,878,875			

*Includes all operations

** Not including revenue from the New York Times

1974 Operating Revenue ($000)

Company	Total*	Newspaper	Advertising	Circulation
Affiliated	101,740	--	--	--
Booth	156,087	--	--	--
Dow Jones	192,668	--	--	--
Gannett	331,313	--	235,112	85,135
Harte-Hanks	79,066	--	--	--
Knight-Ridder	565,151	--	416,470	131,992
Lee	48,409	--	--	--
MediaGeneral	149,945	--	--	--
Multimedia	55,654	--	--	--
NewYork Times	389,604	--	193,339	64,564
Speidel	42,791	--	--	--
Times Mirror	751,113	330,553	--	--
Wash. Post	287,579	125,731	--	--
Total	3,151,120			

*Includes all operations

1971 Costs ($000)

Company	Total	Product. and Distrib.	Employ.	Materials	Selling and Adminis.	Operating
Affiliated	66,719	40,311	--	--	26,408	--
Booth	47,563	--	27,662	10,512	--	9,289
Dow Jones	105,253	--	--	--	--	--
Gannett	197,938	--	--	--	--	--
Harte-Hanks	41,563	--	--	--	--	--
Knight-Ridder	339,482	--	--	--	--	--
Lee	30,474	--	--	--	--	--
Media General	97,001	--	--	--	--	--
Multimedia	25,444	--	--	--	--	--
N.Y. Times	272,355	89,159	115,619	61,929	--	--
Speidel	21,842	--	--	--	--	--
Times Mirror	325,052	--	--	--	--	--
Wash. Post	177,555	--	--	--	--	--
Total	1,748,098					

1972 Costs ($000)

Company	Total	Product. and Distrib.	Employ.	Materials	Selling and Adminis.	Operating
Affiliated	79,211	47,804	--	--	31,407	--
Booth	107,202	--	38,888	25,408	--	42,916
Dow Jones	116,194	--	--	--	--	--
Gannett	236,781	--	--	--	--	--
Harte-Hanks	57,558	--	--	--	--	--
Knight-Ridder	382,244	--	--	--	--	--
Lee	32,629	--	--	--	--	--
Media General	104,023	--	--	--	--	--
Multimedia	28,726	15,717	--	--	13,009	--
N.Y. Times	306,153	101,832	129,160	69,095	--	--
Speidel	23,434	--	--	--	--	--
Times Mirror	381,229	--	--	--	--	--
Wash. Post	196,038	--	--	--	--	--
Total	2,051,422					

1973 Costs ($000)

Company	Total	Product. and Distrib.	Employ.	Materials	Selling and Adminis.	Operating
Affiliated	82,395	50,673	--	--	31,632	--
Booth	111,433	--	39,912	24,407	--	44,355
Dow Jones	127,419	--	--	--	--	--
Gannett	237,292	--	--	--	39,912	--
Harte-Hanks	67,461	--	--	--	--	--
Knight-Ridder	423,862	324,016	--	--	99,000	--
Lee	34,901	--	--	--	--	--
Media General	99,927	--	--	--	--	--
Multimedia	35,570	19,294	--	--	16,276	--
N.Y. Times	321,678	109,534	133,249	133,249	--	--
Speidel	24,308	--	--	--	--	--
Times Mirror	431,883	--	--	--	--	--
Wash. Post	221,257	--	--	--	--	--
Total	2,219,386					

1974 Costs ($000)

Company	Total	Product. and Distrib.	Employ.	Materials	Selling and Adminis.	Operating
Affiliated	91,502	56,708	--	--	34,794	--
Booth	128,557	--	42,176	35,506	--	50,875
Dow Jones	143,826	--	--	--	--	--
Gannett	251,597	--	--	--	43,125	--
Harte-Hanks	61,776	--	--	--	--	--
Knight-Ridder	479,511	362,721	--	--	116,790	--
Lee	37,264	--	--	--	--	--
Media General	121,211	--	--	--	--	--
Multimedia	38,906	24,861	--	--	14,405	--
N.Y Times	376,600	--	147,232	86,095	--	--
Speidel	26,753	--	--	--	--	--
Times Mirror	472,797	--	--	--	--	--
Wash. Post	259,439	--	--	--	--	--
Total	2,489,739					

1971-1974 Net Income ($000)

Company	1971	1972	1973	1974
Affiliated	2,999	3,269	4,756	4,200
Booth	7,017	8,224	11,055	12,530
Dow Jones	18,275	19,628	23,292	21,345
Gannett	20,600	23,300	29,200	33,200
Harte-Hanks	3,253	4,769	13,709	6,520
Knight-Ridder	29,474	32,780	36,305	34,925
Lee	3,410	4,196	4,744	5,527
Media General	7,821	7,981	8,676	8,885
Multimedia	4,604	5,552	5,956	6,822
New York Times	9,452	13,602	17,610	20,315
Speidel	4,544	5,329	6,106	7,518
Times Mirror	34,869	42,049	54,907	58,521
Wash. Post	11,757	9,732	13,334	14,441
Total	158,075	180,411	229,650	234,749

Publicly Owned Newspaper Companies 1972-1974*

1972 (Total:20)	1973 (Total:19)	1974 (Total:24)
American Financial	American Financial	Affiliated Publications
Booth Newspapers	Booth Newspapers	American Financial
Boston Herald-Traveler	Capital Cities	Booth Newspapers
Capital Cities	Dow Jones	Capital Cities
Dow Jones	Gannett	ComCorp Inc.
Gannett	Harte-Hanks	Cowles Comm.
Harte-Hanks	Jefferson Pilot	Dow Jones
Jefferson Pilot	Knight	Downe Comm.
Knight	Lee Enterprises	Gannett
Lee Enterprises	Media General	Gray Comm.
Media General	Multimedia	Harte-Hanks
Multimedia	New York Times Co.	Jefferson Pilot
New York Times Co.	Panax Corp.	Knight-Ridder
Panax Corp.	Post Corp.	Lee Enterprises
Post Corp.	Ridder	Media General
Ridder	Speidel	Multimedia
Thomson (USA)	Thomson Newspapers	New York Times Co.
Thomson-Brush-Moore	Times Mirror	Panax Corp.
Times Mirror	Washington Post Co.	Post Corp.
Washington Post Co.		Seaboard Coast Line Ind.
		Speidel
		Thomson Newspapers
		Times Mirror
		Washington Post Co.

* 1971 list not available in sources used

Note: All material from Editor & Publisher

U.S. Newspaper Companies -- The 25 Largest
(Ranked by Daily Circulation)

	Daily Circulation*	Number of Dailies	Sunday Circulation	Number of Sunday
1. Knight-Ridder Newspapers	3,682,974	33	4,230,523	21
2. Tribune Co.	3,173,709	7	4,311,783	4
3. Newhouse Newspapers	2,990,709	22	3,183,783	14
4. Gannett Co.	2,106,543	49	1,528,082	24
5. Scripps-Howard Newspapers	1,936,950	17	1,543,457	7
6. Dow Jones	1,779,230	13	196,403	5
7. Times Mirror	1,742,951	4	1,969,783	4
8. Hearst Newspapers	1,563,476	8	2,363,061	7
9. New York Times Co.	1,027,961	10	1,599,433	6
10. Field Enterprises	993,000	2	700,918	1
11. Cox Newspapers	947,899	10	914,910	5
12. Thomson Newspapers (U.S.)	923,881	49	474,381	20
13. Cowles Newspapers	920,302	7	1,181,251	5
14. Central Newspapers	771,072	7	730,869	4
15. Evening News Association	674,646	4	819,920	1
16. McLean Newspapers	620,367	2	719,552	2
17. Kansas City Star Co.	614,692	3	389,021	1
18. Washington Post Co.	609,343	2	826,108	2
19. Freedom Newspapers	606,092	24	541,877	14
20. Copley Press	586,975	8	576,104	6
21. New York Post Corp.	583,892	1	--	-
22. Media General	550,237	6	496,659	3
23. Journal Co. (Milwaukee)	515,771	2	537,613	1
24. Booth Newspapers	506,497	8	531,152	8
25. Harte-Hanks Newspapers	481,886	18	440,936	15

* Average for six months ended March 31, 1975
Note: Publicly owned companies are underlined
Source: Audit Bureau of Circulation, Dirks Newsletter-9/11/75

Newspaper Advertising Volume 1969-1976E

Year	National $ (mil.)	National % Chg.	Classified $	Classified % Chg.	Retail $	Retail % Chg.	Total $	Total % Chg.	Effective Annual Rate Increase
1969	944	--	1,597	--	3,160	--	5,701	--	3.9%
1970	891	(6)%	1,521	(5)%	3,292	4%	5,704	0%	5.2
1971	991	11	1,645	8	3,562	8	6,198	9	5.6
1972	1,105	12	1,949	18	3,968	11	7,022	13	4.3
1973	1,110	0	2,249	15	4,239	7	7,591	8	5.5
1974	1,191	7	2,252	0	4,541	7	7,984	5	8.0
1975E	1,220	2	2,304	2	4,943	6	8,467	5	14.0
1976E	1,360	12	2,700	17	5,400	10	9,460	12	7.5

Source: Baker, Weeks & Co., Inc.,
Newspaper Industry Review
Oct. 20, 1975.

Percentage Breakdown of
Gannett's Expenses
1971-1974

Year	Paper & Ink	Employee Benefits	Payroll	Deprec.	Fed. & State Tax	Other
1971	15.9%	6.1	43.3	3.1	9.5	22.1
1972	16.0	6.2	41.7	3.3	8.4	24.4
1973	15.9	6.6	42.9	3.3	10.1	21.2
1974	18.9	7.2	46.4	3.3	---	24.2

Source: Gannett yearly reports,
1971-1974.

Newsprint Prices 1945-1975

U.S. Prices Per Ton (32 lb.)

Year	Price
1945	$72
1950	101
1955	126
1960	134
1965	134
1970	160
1971	165
1972	170
1973	200
1974	220
1975(estimate)	245

Source: 1974 Knight-Ridder Annual Report

Newsprint Consumption of
U.S. Newspapers
(in thousands of short tons)

Year	Consumption	% Change
1971	9,601,500	--
1972	10,270,700	7.0
1973	10,504,500	2.3
1974	10,363,100	-1.3

Source: Editor and Publisher Yearbook, 1973, 1974, 1975.